

**WAVERLY-SHELL ROCK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2006

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WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2005 Election)

Dale Emmert	President	2007
Cheryl Elsbury-Reiher	Vice President	2006
Becky Kemming		2006
Jason Leonard		2005
Dennis Epley		2005

(After September, 2005 Election)

Dale Emmert	President	2007
Cheryl Elsbury-Reiher	Vice President	2006
Becky Kemming		2006
Jason Leonard		2008
Dennis Epley		2008

SCHOOL OFFICIALS

Jere Vyverberg	Superintendent
Dennis Stufflebeam	District Secretary
Linda Hildreth	District Treasurer

Independent Auditor's Report

To the Board of Education of the
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Waverly-Shell Rock Community School District, Waverly, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Waverly-Shell Rock Community School District as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated October 3, 2006 on our consideration of Waverly-Shell Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant. agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waverly-Shell Rock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organization is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink
Certified Public Accountant

October 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

This section of the Waverly-Shell Rock Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2006. Please read it in conjunction with the District's financial statements.

2006 FINANCIAL HIGHLIGHTS

- The District had revenues of \$14,385,166 and \$14,395,149 was spent during the year. The District's financial solvency ratio as of June 30, 2006 was 14.02%.
- The District experienced an increase in certified enrollment. The September 2004 enrollment was 1847.6, while the September 2005 enrollment was 1873.2. However, the increase in students tuitioned out resulted in no increase on students being served in the district.
- The number net open-enrolled students continued to increase from 75.2 in fiscal year 2005 to 78.3 in fiscal year 2006.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District.
- An English teacher, a physical education teacher, a music teacher, and a guidance counselor are being shared with the Janesville Consolidated School District. This has allowed for some cost savings.
- The State of Iowa deducted a total of \$118,187 from the State Foundation Aid payments to help support the state's juvenile homes during fiscal year 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sample Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sample Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sample Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Waverly-Shell Rock Community School District

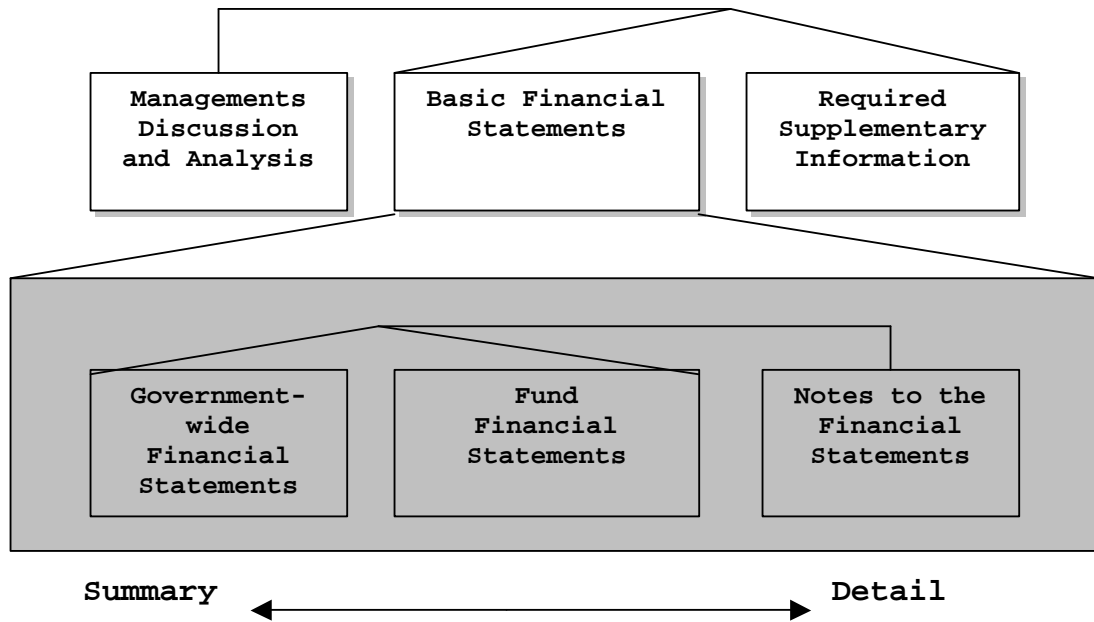


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements.

The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The Internal Service Fund is used only to collect, hold, and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks, and checks brought in by retiree's that continue to stay on the plan.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other District's and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	13,847	9,973	172	122	14,019	10,095	38.87%
Capital assets	6,817	5,104	86	25	6,903	5,129	25.70%
Total assets	20,664	15,077	258	147	20,922	15,224	27.23%
Current liabilities	6,878	6,261	30	34	6,908	6,295	8.87%
Non-current liabilities	5,667	1,790	-	-	5,667	1,790	316.59%
Total liabilities	12,545	8,051	30	34	12,575	8,085	55.53%
Net Assets							
Invested in capital assets, net of related debt	1,347	3,564	25	25	1,372	3,589	-261.59%
Restricted	4,237	1,299	-	-	4,237	1,299	326.17%
Unrestricted	2,535	2,163	203	88	2,738	2,251	21.63%
Total net assets	8,119	7,026	228	113	8,347	7,139	16.92%

The District's combined net assets increased by more than 16% over the prior year. The largest portion of the District's net assets are restricted assets. This is due primarily to revenue bond proceeds for the construction of an addition to the high school which will be spent in fiscal year 2007.

Invested in capital assets (cost of land, buildings and equipment less related debt) decreased 262% due to additional debt being issued, but related construction costs not yet being incurred.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 326% over the prior year due to the unspent revenue bond proceeds.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately 21%. This increase in unrestricted net assets was primarily a result of the District's income surtax revenue increase.

Changes in net assets - Figure A-4 show the changes in net assets for the year ended June 30, 2006 and 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	1,488	1,314	662	631	2,150	1,945	10.54%
Operating grants, contributions and interest	3,126	2,377	272	234	3,398	2,611	30.14%
General revenues:							
Property tax	4,863	4,809	-	-	4,863	4,809	1.12%
Income surtax	1,027	-	-	-	1,027	-	100.00%
Local option sales tax	950	687	-	-	950	687	38.28%
Unrestricted state grants	6,439	6,430	-	-	6,439	6,430	0.14%
Unrestricted investment earnings	28	19	-	-	28	19	47.37%
Other	23	43	-	-	23	43	-46.51%
Total revenues	<u>17,944</u>	<u>15,679</u>	<u>934</u>	<u>865</u>	<u>18,878</u>	<u>16,544</u>	<u>14.11%</u>
Program expenses:							
Governmental activities:							
Instruction	10,971	10,167	-	-	10,971	10,167	7.91%
Support Services	3,606	3,864	-	-	3,606	3,864	-6.68%
Non-instructional programs	-	-	820	869	820	869	-5.64%
Other expenses	<u>2,274</u>	<u>1,001</u>	<u>-</u>	<u>-</u>	<u>2,274</u>	<u>1,001</u>	<u>127.17%</u>
Total expenses	<u>16,851</u>	<u>15,032</u>	<u>820</u>	<u>869</u>	<u>17,671</u>	<u>15,901</u>	<u>11.13%</u>
Change in net assets	<u>1,093</u>	<u>647</u>	<u>114</u>	<u>(4)</u>	<u>1,207</u>	<u>643</u>	<u>87.71%</u>

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$15,679,318 and expenses were \$15,032,308. The District continued to reduce travel and field trips during fiscal year 2005, and relied on increased revenues from open enrollment and their regional alternative high school to fund their general fund expenditures. Revenues from governmental activities were \$647,010 larger than the expenditures for governmental activities.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(expressed in thousands)

	Total Cost of Services			Net Cost of Services		
	Change			Change		
	2006	2005	2005-2006	2006	2005	2005-2006
	\$	\$		\$	\$	
Instruction	10,971	10,167	7.91%	7,403	7,222	2.51%
Support Services	3,606	3,864	-6.68%	3,475	3,701	-6.11%
Other expenses	<u>2,274</u>	<u>1,001</u>	<u>127.17%</u>	<u>1,359</u>	<u>418</u>	<u>225.12%</u>
Totals	<u>16,851</u>	<u>15,032</u>	<u>12.10%</u>	<u>12,237</u>	<u>11,341</u>	<u>7.90%</u>

- The cost financed by users of the District's programs was \$1,488,135.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,791,555.
- The net cost of governmental activities was financed with \$4,863,489 in property tax, \$6,438,695 in state foundation aid, and \$27,872 in interest income.

Proprietary-Type Activities

Revenues for the District's School Nutrition Fund were \$934,405 and expenses were \$820,091. The revenues include: charges for services, contributions, and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold, and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks, and checks brought in by retiree's that continue to stay on the plan.

Fiduciary Funds

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, school employee groups, and such groups as Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks for these groups when directed by the group. These funds are not to be used to support the regular operations of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$8,316,034, which is 18% larger than last year's ending fund balance of \$7,026,317.

- The District has been controlling the decline of its General Fund balance by cutting classroom building budgets, greatly reducing travel and field trips, and reducing staff slightly where possible.
- Increased open enrollments into the District has helped maintain instructional programs with the increased number of students and tuition-in dollars.
- The District is using local option sales tax dollars to add a gym and auditorium to the senior high school.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

Actual revenues exceeded budgeted amounts by 9% primarily due to additional income surtax and increased tuition from out of the district students. Actual expenses were less than budgeted amounts by 15%. This was due to the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. Also, the budget was amended to reflect a \$5,446,906 increase primarily for new construction. As a result, the District's certified budget should always exceed the actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2006, the District has invested more than \$5.1 million (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses, and other vehicles, library holdings and textbooks. Total depreciation for the year exceeded \$380,000.

Long-term Debt

The District continues to pay off general obligation school bonds. The remaining \$1,170,000 worth of bonds carries with them interest costs of \$86,860. The principal and interest on the bonds will be paid in full by June 1, 2009. The District makes principal and interest payments yearly on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

The District issued \$4,300,000 of revenue bonds for the construction of an addition to the high school. These will be paid with proceeds of the local option sales tax.

Capital Loan Notes

The District built the school administration building and an art wing addition to the high school in 1995 using money obtained through capital loan notes. Part of the money generated through the physical plant and equipment levy is used to pay off the principal and interest on the capital loan notes. The last payment was made by June 1, 2005.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Classroom building budgets were cut by 25% for the fiscal year 2006.
- The District levied \$150,000 allowable growth for dropout prevention.
- The District's employee group health insurance moved to higher deductible; maximum out-of-pocket; and co-pays to help keep the monthly premiums at rates more affordable to the District and the employees for fiscal year 2005.
- State Foundation Aid dollars to the district increased less than 1% from fiscal year 2005 to fiscal year 2006. Property tax dollars for the General Fund increased 1% from fiscal year 2005 to fiscal year 2006.
- The District began receiving payments in December 2005 for Instructional Support Income Surtax. This will allow the District to maintain current programs without dipping into existing reserves.
- The Greenview Alternative High School in Waverly, is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community Schools, 1415 4th Avenue SW, Waverly, Iowa 50677.

Basic Financial Statements

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	7,435,088	157,680	7,592,768
Receivables:			
Property tax:			
Current year	33,564	-	33,564
Succeeding year	5,506,019	-	5,506,019
Succeeding year income surtax	464,263	-	464,263
Due from other governments	405,632	4,609	410,241
Other receivables	103	-	103
Inventories	-	9,995	9,995
Prepaid expenses	3,022	-	3,022
Capital assets, net of accumulated depreciation (note 3)	6,816,690	85,611	6,902,301
Total assets	20,664,381	257,895	20,922,276
Liabilities			
Accounts payable	248,009	-	248,009
Accrued salary and benefits	1,104,702	29,917	1,134,619
Accrued interest payable	17,064	-	17,064
Deferred revenue:			
Federal programs	2,553	-	2,553
Succeeding year property tax	5,506,019	-	5,506,019
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	380,000	-	380,000
Revenue bonds payable	475,000	-	475,000
Early retirement payable	197,283	-	197,283
Portion due after one year:			
General obligation bonds payable	790,000	-	790,000
Revenue bonds payable	3,825,000	-	3,825,000
Total liabilities	12,545,630	29,917	12,575,547
Net assets			
Invested in capital assets, net of related debt	1,346,690	85,611	1,432,301
Restricted for:			
Debt service	137,716	-	137,716
Physical plant and equipment levy	249,174	-	249,174
Capital projects	3,339,654	-	3,339,654
Health insurance	510,524	-	510,524
Unrestricted	2,534,993	142,367	2,677,360
Total net assets	8,118,751	227,978	8,346,729

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
<u>Functions/Programs</u>						
Governmental activities:						
Instruction:	<u>10,971,333</u>	<u>1,367,677</u>	<u>2,200,918</u>	<u>(7,402,738)</u>	<u>-</u>	<u>(7,402,738)</u>
Support services:						
Student services	289,407	-	-	(289,407)	-	(289,407)
Instructional staff services	545,859	-	-	(545,859)	-	(545,859)
Administration services	1,323,877	-	-	(1,323,877)	-	(1,323,877)
Operation and maintenance of plant services	932,214	-	10,241	(921,973)	-	(921,973)
Transportation services	<u>514,468</u>	<u>120,458</u>	<u>-</u>	<u>(394,010)</u>	<u>-</u>	<u>(394,010)</u>
	<u>3,605,825</u>	<u>120,458</u>	<u>10,241</u>	<u>(3,475,126)</u>	<u>-</u>	<u>(3,475,126)</u>
Other expenditures:						
Facilities acquisition	479,327	-	367,390	(111,937)	-	(111,937)
Interest on long term debt	135,786	-	782	(135,004)	-	(135,004)
Long-term debt service	300	-	-	(300)	-	(300)
AEA flowthrough	546,568	-	546,568	-	-	-
Depreciation (unallocated)*	<u>1,112,237</u>	<u>-</u>	<u>-</u>	<u>(1,112,237)</u>	<u>-</u>	<u>(1,112,237)</u>
	<u>2,274,218</u>	<u>-</u>	<u>914,740</u>	<u>(1,359,478)</u>	<u>-</u>	<u>(1,359,478)</u>
Total governmental activities	16,851,376	1,488,135	3,125,899	(12,237,342)	-	(12,237,342)

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues				
		Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses	Charges for Service				
\$	\$	\$	\$	\$	\$
Business Type activities:					
Non-instructional programs:					
Nutrition services	820,091	662,346	272,059	-	114,314
				114,314	114,314
Total	17,671,467	2,150,481	3,397,958	(12,237,342)	114,314
					(12,123,028)
General revenues:					
Property tax levied for:					
General purposes			4,190,529	-	4,190,529
Management fund			229,724	-	229,724
Debt service			302,701	-	302,701
Capital outlay			140,535	-	140,535
Income surtax			1,027,481	-	1,027,481
Local option sales tax			949,810	-	949,810
Unrestricted state grants			6,438,695	-	6,438,695
Unrestricted investment earnings			27,872	-	27,872
Other			22,609	-	22,609
Total general revenue			13,329,956	-	13,329,956
Change in net assets			1,092,614	114,314	1,206,928
Net assets beginning of year			7,026,137	113,664	7,139,801
Net assets end of year			8,118,751	227,978	8,346,729

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	<u>General</u>	<u>Debt</u>	<u>Capital</u>	<u>Non-major</u>	
	<u>\$</u>	<u>Service</u>	<u>Projects</u>	<u>Special</u>	<u>Total</u>
				<u>Revenue</u>	<u>\$</u>
Assets					
Cash and pooled investments	2,893,763	135,873	3,379,341	515,690	6,924,667
Receivables:					
Property tax:					
Current year	29,465	1,843	-	2,256	33,564
Succeeding year	4,589,040	386,480	-	530,499	5,506,019
Income surtax	464,263	-	-	-	464,263
Due from other governments	331,366	-	74,266	-	405,632
Prepaid expenses	3,022	-	-	-	3,022
Total assets	<u>8,310,919</u>	<u>524,196</u>	<u>3,453,607</u>	<u>1,048,445</u>	<u>13,337,167</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	134,056	-	113,953	-	248,009
Accrued salary and benefits	1,104,702	-	-	-	1,104,702
Deferred revenue:					
Federal programs	2,553	-	-	-	2,553
Succeeding year property tax	4,589,040	386,480	-	530,499	5,506,019
Succeeding year income surtax	464,263	-	-	-	464,263
Total liabilities	<u>6,294,614</u>	<u>386,480</u>	<u>113,953</u>	<u>530,499</u>	<u>7,325,546</u>
Fund balances:					
Reserved for debt service	-	137,716	-	-	137,716
Reserved for capital projects	-	-	3,339,654	-	3,339,654
Unreserved	<u>2,016,305</u>	<u>-</u>	<u>-</u>	<u>517,946</u>	<u>2,534,251</u>
Total fund balances	<u>2,016,305</u>	<u>137,716</u>	<u>3,339,654</u>	<u>517,946</u>	<u>6,011,621</u>
Total liabilities and fund balances	<u>8,310,919</u>	<u>524,196</u>	<u>3,453,607</u>	<u>1,048,445</u>	<u>13,337,167</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)	\$ 6,011,621
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	464,263
Internal Service fund assets that are to be included with governmental funds.	510,524
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,816,690
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(17,064)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(5,667,283)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 8,118,751</u></u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Non-major	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	4,753,747	302,701	949,810	370,259	6,376,517
Tuition	909,463	-	-	-	909,463
Other	492,323	508	367,390	965,311	1,825,532
State sources	7,779,921	274	-	343	7,780,538
Federal sources	449,712	-	-	-	449,712
Total revenues	<u>14,385,166</u>	<u>303,483</u>	<u>1,317,200</u>	<u>1,335,913</u>	<u>17,341,762</u>
Expenditures:					
Instruction:	<u>9,924,628</u>	<u>-</u>	<u>-</u>	<u>1,150,794</u>	<u>11,075,422</u>
Support services					
Student services	344,924	-	-	-	344,924
Instructional staff services	545,859	-	-	-	545,859
Administration services	1,219,606	-	-	104,271	1,323,877
Operation and maintenance of plant services	1,295,319	-	-	155,855	1,451,174
Transportation services	518,245	-	-	31,453	549,698
	<u>3,923,953</u>	<u>-</u>	<u>-</u>	<u>291,579</u>	<u>4,215,532</u>
Other expenditures					
Facilities acquisition	-	-	2,509,832	133,677	2,643,509
Principal on long-term debt	-	370,000	-	-	370,000
Interest on long-term debt	-	121,397	-	-	121,397
Long-term debt services	-	300	-	-	300
AEA flowthrough	546,568	-	-	-	546,568
	<u>546,568</u>	<u>491,697</u>	<u>2,509,832</u>	<u>133,677</u>	<u>3,681,774</u>
Total expenditures	<u>14,395,149</u>	<u>491,697</u>	<u>2,509,832</u>	<u>1,576,050</u>	<u>18,972,728</u>
(Deficiency) of revenues (under) expenditures	<u>(9,983)</u>	<u>(188,214)</u>	<u>(1,192,632)</u>	<u>(240,137)</u>	<u>(1,630,966)</u>
Other financing sources (uses):					
Sale of materials and equipment	19,050	-	-	-	19,050
Proceeds of revenue bonds	-	-	4,300,000	-	4,300,000
	<u>19,050</u>	<u>-</u>	<u>4,300,000</u>	<u>-</u>	<u>4,319,050</u>
Net change in fund balance	9,067	(188,214)	3,107,368	(240,137)	2,688,084
Fund balances beginning of year	<u>2,007,238</u>	<u>325,930</u>	<u>232,286</u>	<u>758,083</u>	<u>3,323,537</u>
Fund balances end of year	<u>2,016,305</u>	<u>137,716</u>	<u>3,339,654</u>	<u>517,946</u>	<u>6,011,621</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ 2,688,084

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 464,263

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,825,289	
Depreciation expense	<u>(1,112,237)</u>	1,713,052

Issuance of long-term debt is a financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities (4,300,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 370,000

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(197,283)	
Payments	<u>249,972</u>	52,689

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (14,389)

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. 118,915

Change in net assets of governmental activities (Exhibit B) \$ 1,092,614

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2006

	Business Type	Governmental Activities
	School Nutrition	Internal Service
	\$	
Assets		
Cash and pooled investments	157,680	510,421
Other receivables	4,609	103
Inventories	9,995	-
Capital assets, net of accumulated depreciation	85,611	-
Total assets	257,895	510,524
Liabilities		
Accrued salary and benefits	29,917	-
Total liabilities	29,917	-
Net Assets		
Invested in capital assets, net of related debt	85,611	-
Restricted for health insurance	-	510,524
Unrestricted	142,367	-
Total net assets	227,978	510,524

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2006

	Business Type	Governmental Activities
	School Nutrition	Internal Service
	\$	\$
Operating revenue:		
Local sources:		
Charges for services	<u>662,346</u>	<u>1,122,354</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	351,637	-
Benefits	50,049	-
Supplies	410,233	-
Depreciation	<u>8,172</u>	<u>-</u>
	<u>820,091</u>	<u>-</u>
Internal service programs:		
Benefits	<u>-</u>	<u>1,003,439</u>
Total operating expenses	<u>820,091</u>	<u>1,003,439</u>
Operating profit (loss)	<u>(157,745)</u>	<u>118,915</u>
Non-operating revenues:		
State sources	9,290	-
Federal sources	<u>262,769</u>	<u>-</u>
	<u>272,059</u>	<u>-</u>
Net change in assets	114,314	118,915
Net assets beginning of year	<u>113,664</u>	<u>391,609</u>
Net assets end of year	<u><u>227,978</u></u>	<u><u>510,524</u></u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Enterprise	Internal
	School	Health
	Nutrition	Insurance
	\$	\$
Cash flows from operating activities:		
Cash received from sale of services	672,869	1,122,351
Cash payments to employees for services	(405,512)	(1,003,439)
Cash payments to suppliers for goods or services	(343,009)	-
Net cash provided by (used in) operating activities	(75,652)	118,912
Cash flows from non-capital financing activities:		
State grants received	9,290	-
Federal grants received	198,546	-
Net cash provided by non-capital financing activities	207,836	-
Cash flows from capital financing activities		
Acquisition of capital assets	(68,227)	-
Net increase (decrease) in cash and cash equivalents	63,957	118,912
Cash and cash equivalents beginning of year	93,723	391,509
Cash and cash equivalents end of year	157,680	510,421
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	(157,745)	118,915
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	8,172	-
Commodities used	64,223	-
(Increase) in other receivables	(13,255)	(3)
Decrease in inventory	785	-
Increase in accrued payroll and benefits	6,481	-
	(91,339)	118,912
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:		
Current assets:		
Cash	157,680	510,421

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$64,223.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trusts	Agency Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments	<u>90,661</u>	<u>96,931</u>	<u>187,592</u>
Total assets	<u>90,661</u>	<u>96,931</u>	<u>187,592</u>
Liabilities			
Other payables	<u>-</u>	<u>96,931</u>	<u>96,931</u>
Net Assets			
Reserved for scholarships	67,544	-	67,544
Unreserved, undesignated	<u>23,117</u>	<u>-</u>	<u>23,117</u>
Total net assets	<u>90,661</u>	<u>-</u>	<u>90,661</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Interest on investments	851
Contributions	<u>34,522</u>
Total additions	<u>35,373</u>
Deductions:	
Support services:	
Supplies	50,115
Scholarships	<u>700</u>
Total deductions	<u>50,815</u>
Change in net assets	(15,442)
Net assets beginning of year	<u>106,103</u>
Net assets end of year	<u><u>90,661</u></u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly and Shell Rock, Iowa, and agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Waverly-Shell Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 61,680</u>	<u>21,915</u>	<u>-</u>	<u>83,595</u>
Capital assets being depreciated:				
Buildings	9,853,709	1,228,550	-	11,082,259
Improvements other than buildings	450,319	-	-	450,319
Furniture and Equipment	3,309,193	117,007	-	3,426,200
Construction in progress	-	1,457,817	-	1,457,817
Total capital assets being depreciated	<u>13,613,221</u>	<u>2,803,374</u>	<u>-</u>	<u>16,416,595</u>
Less accumulated depreciation for:				
Buildings	5,108,292	243,507	-	5,351,799
Improvements other than buildings	285,092	55,766	-	340,858
Furniture and Equipment	3,177,879	812,964	-	3,990,843
Total accumulated depreciation	<u>8,571,263</u>	<u>1,112,237</u>	<u>-</u>	<u>9,683,500</u>
Total capital assets being depreciated, net	<u>5,041,958</u>	<u>1,691,137</u>	<u>-</u>	<u>6,733,095</u>
Governmental activities, capital assets, net	<u>5,103,638</u>	<u>1,713,052</u>	<u>-</u>	<u>6,816,690</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and Equipment	307,167	68,227	168,300	207,094
Less accumulated depreciation	<u>281,611</u>	<u>8,172</u>	<u>168,300</u>	<u>121,483</u>
	<u>\$ 25,556</u>	<u>60,055</u>	<u>-</u>	<u>85,611</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 1,112,237</u>
Business type activities:				
Food service operations				<u>\$ 8,172</u>

(4) General Obligation Bonds Payable

The District refinanced its outstanding bonded indebtedness on June 30, 2003. All previous indebtedness was paid off. Interest savings are estimated to be \$223,913. Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Principal \$</u>	<u>Interest \$</u>	<u>Total \$</u>
2007	2.00	380,000	26,180	406,180
2008	2.20	390,000	18,580	408,580
2009	2.50	<u>400,000</u>	<u>10,000</u>	<u>410,000</u>
Total		<u>1,170,000</u>	<u>54,760</u>	<u>1,224,760</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds Payable</u>	<u>Early Retirement Payable</u>	<u>Total</u>
Balance beginning of year	\$1,540,000	-	249,972	1,789,972
Additions	-	4,300,000	197,283	4,497,283
Reductions	<u>370,000</u>	<u>-</u>	<u>249,972</u>	<u>619,972</u>
Balance end of year	<u>\$1,170,000</u>	<u>4,300,000</u>	<u>197,283</u>	<u>5,667,283</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$504,645, \$472,387, and \$450,019 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$546,568 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2006 totaled \$249,972.

(9) Risk Management

Waverly-Shell Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Contingencies

The District is currently involved in legal action in regards to an accident involving a district vehicle. The District is also involved in legal action concerning school premises and a student's health problems. Per communication with legal counsel, no probable outcome can be determined in either matter, however, the District will be covered by its existing insurance coverage for any damages less the District's deductible. Due to the uncertainty of outcome and insurance coverage, no provision for liability has been included in the financial statements.

Required Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	9,111,512	662,346	9,773,858	9,119,304	9,119,304	654,554
State sources	7,780,538	9,290	7,789,828	7,367,895	7,367,895	421,933
Federal sources	449,712	262,769	712,481	330,000	330,000	382,481
Total revenues	<u>17,341,762</u>	<u>934,405</u>	<u>18,276,167</u>	<u>16,817,199</u>	<u>16,817,199</u>	<u>1,458,968</u>
Expenditures						
Instruction	11,075,422	-	11,075,422	10,835,144	11,357,050	281,628
Support services	4,215,532	-	4,215,532	4,581,000	4,606,000	390,468
Non-instructional programs	-	820,091	820,091	1,449,000	1,449,000	628,909
Other expenditures	3,681,774	-	3,681,774	1,556,283	5,461,000	1,779,226
Total expenditures	<u>18,972,728</u>	<u>820,091</u>	<u>19,792,819</u>	<u>18,421,427</u>	<u>22,873,050</u>	<u>3,080,231</u>
Excess (deficiency) of revenues over (under) expenditures	(1,630,966)	114,314	(1,516,652)	(1,604,228)	(6,055,851)	4,539,199
Other financing sources (uses)	<u>4,319,050</u>	<u>-</u>	<u>4,319,050</u>	<u>-</u>	<u>-</u>	<u>4,319,050</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,688,084	114,314	2,802,398	(1,604,228)	(6,055,851)	8,858,249
Balance beginning of year	<u>3,323,537</u>	<u>113,664</u>	<u>3,437,201</u>	<u>2,863,810</u>	<u>2,863,810</u>	<u>573,391</u>
Balance end of year	<u><u>6,011,621</u></u>	<u><u>227,978</u></u>	<u><u>6,239,599</u></u>	<u><u>1,259,582</u></u>	<u><u>(3,192,041)</u></u>	<u><u>9,431,640</u></u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$5,446,906.

During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Non-major Special Revenue Funds

June 30, 2006

	<u>Management</u>	<u>Student</u>	<u>Physical</u>	
	<u>\$</u>	<u>Activity</u>	<u>Plant and</u>	<u>Total</u>
			<u>Equipment</u>	
			<u>Levy</u>	<u>\$</u>
Assets				
Cash and pooled investments	32,788	234,537	248,365	515,690
Property tax receivable:				
Current year	1,447	-	809	2,256
Succeeding year	<u>374,284</u>	<u>-</u>	<u>156,215</u>	<u>530,499</u>
Total assets	<u>408,519</u>	<u>234,537</u>	<u>405,389</u>	<u>1,048,445</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	374,284	-	156,215	530,499
Unreserved fund balances	<u>34,235</u>	<u>234,537</u>	<u>249,174</u>	<u>517,946</u>
Total liabilities and fund balances	<u>408,519</u>	<u>234,537</u>	<u>405,389</u>	<u>1,048,445</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-major Special Revenue Funds

Year ended June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	229,724	-	140,535	370,259
Other	298	955,413	9,600	965,311
State sources	216	-	127	343
Total revenues	<u>230,238</u>	<u>955,413</u>	<u>150,262</u>	<u>1,335,913</u>
Expenditures:				
Instruction:				
Instruction	191,103	959,691	-	1,150,794
Support services:				
General administration	104,271	-	-	104,271
Plant operation and maintenance	52,744	-	103,111	155,855
Student transportation	17,557	-	13,896	31,453
Other expenditures:				
Facilities acquisition and construction	-	-	133,677	133,677
Total expenditures	<u>365,675</u>	<u>959,691</u>	<u>250,684</u>	<u>1,576,050</u>
Excess (deficiency) of revenues over (under) expenditures	(135,437)	(4,278)	(100,422)	(240,137)
Fund balances beginning of year	<u>169,672</u>	<u>238,815</u>	<u>349,596</u>	<u>758,083</u>
Balance end of year	<u>34,235</u>	<u>234,537</u>	<u>249,174</u>	<u>517,946</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Vocal Music	7,743	16,169	22,599	1,313
JH Variety Vocal	1,067	7,016	6,713	1,370
Instrumental Music	372	13,003	12,361	1,014
Elementary Band	1,297	3,332	3,157	1,472
Miscellaneous Sports	2,534	42,564	44,292	806
JH Track	43	-	27	16
Cross Country	597	2,470	2,952	115
Boys Basketball	3,580	22,681	26,194	67
JH Boys Basketball	174	1,203	1,324	53
Football	2,257	24,103	26,013	347
JH Football	33	1,559	1,492	100
Boys Soccer	28	22,029	21,972	85
Baseball	3,020	11,962	14,972	10
Boys Track	966	5,183	6,075	74
Boys Tennis	4	1,437	1,262	179
Boys Golf	177	1,391	1,325	243
Wrestling	1,972	49,837	51,679	130
Weightlifting	3,343	7,400	9,064	1,679
JH Wrestling	21	800	742	79
Girls Basketball	721	12,639	13,150	210
JH Girls Basketball	198	1,497	1,607	88
Girls Volleyball	690	6,873	7,365	198
JH Girls Volleyball	68	2,278	2,262	84
Girls Soccer	1,331	14,038	13,718	1,651
Girls Softball	1,658	13,348	13,197	1,809
Girls Track	177	2,949	3,105	21
Girls Tennis	98	1,134	587	645
Girls Golf	142	1,205	1,049	298
Dance Team	494	1,793	1,704	583
Masquers	1,627	3,197	2,370	2,454
Art Club	2,320	4,251	5,745	826
Boys W Club	1,023	451	350	1,124
Science Club	4,365	3,694	2,930	5,129
National Honor Society	316	3,052	3,100	268
Coupon Card	-	-	-	-
Publications	1,801	-	25	1,776
Student Senate	583	5,303	5,284	602
Student Lounge	2,959	10,633	9,721	3,871
SADD	483	-	-	483
Class of 2009	(253)	353	-	100
Class of 2006	552	3,628	4,002	178
Class of 2007	100	2,000	1,194	906
Class of 2008	600	-	807	(207)
Varsity Club	1,986	3,493	4,220	1,259
Annual	12,917	29,802	16,195	26,524
Guidance Transcripts	2,080	383	-	2,463

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
French Club	602	2,985	1,581	2,006
Spanish Club Student Accounts	9,082	12,606	13,327	8,361
Spanish Club Operating Accounts	652	3,112	1,774	1,990
FFA	2,743	25,722	26,121	2,344
German Club	881	1,038	1,212	707
DECA	3,751	27,147	28,997	1,901
String Music	1,374	11,424	12,227	571
Cheerleaders	(59)	4,197	4,138	-
Band Uniform Cleaning	-	618	66	552
HS Basketball Cheerleaders	(994)	2,825	1,820	11
HS Wrestling Cheerleaders	85	871	956	-
JH Cheerleaders	1,175	167	319	1,023
JH Student Council	1,866	7,438	6,236	3,068
JH Activity	12,577	17,783	18,849	11,511
JH Annual	1,771	1,027	684	2,114
JH Cookie Sales	705	2,548	2,440	813
Blake/Mackey Rental & Repair	2,420	2,926	3,479	1,867
Irving Account	976	2,071	2,210	837
Buxton TAG	1,479	707	965	1,221
Shell Rock Activity Fund	4,080	4,867	5,251	3,696
Carey Account	1,896	731	517	2,110
Carey Second Grade - Mrs. Howell	50	-	-	50
West Cedar Account	244	727	587	384
MOC	268	83	130	221
Elementary Chorus - Hansen	495	615	1,107	3
Athletic Director	-	9,185	7,421	1,764
German Club Obligations	524	1,110	60	1,574
Other Activities	41,006	44,940	44,753	41,193
Pictures	1,998	1,248	1,187	2,059
Christmas Card	1,179	3,700	1,250	3,629
Change Fund	(2,515)	10,637	9,120	(998)
Books	5,574	64,732	66,742	3,564
Activity Tickets	1,094	19,139	18,323	1,910
School Lunch	1,053	48,776	48,395	1,434
Transportation pop	3	1,347	1,100	250
W-SR Wilderness	2,060	5,366	4,728	2,698
Instrumental Repair	191	1,736	1,968	(41)
HS Strings Fundraising	931	28,710	30,032	(391)
PE Stores	4,616	178	3,030	1,764
String Music Stores	(167)	302	135	-
Band Stores - High School	645	-	687	(42)
Calculators - HS Math Dept	153	3,775	4,907	(979)
SH Band Fundraiser	4,457	17,951	20,393	2,015
Home Ec Stores	666	343	234	775
Ind Tech Stores - HS	(510)	9,714	12,824	(3,620)
HS Pop	4,885	5,762	5,515	5,132

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
High School Library	1,425	1,097	1,774	748
JH Courtesy	380	88	349	119
JH Band Stores	(41)	1,074	1,036	(3)
JH Tech Stores	498	1,404	1,938	(36)
JH Library	(52)	653	554	47
Shop Group Shell Rock	444	54	44	454
JH Chess Club	112	-	95	17
JH Video Club	113	550	57	606
HS Special Education Foods	-	-	-	-
Shell Rock Pop	642	517	448	711
Entrepreneurship Class	533	26,187	26,082	638
Recycling - Carlson	503	368	183	688
Bus Buddies	956	-	10	946
JH Home Economics	236	2,889	1,623	1,502
Southeast Library	95	-	57	38
Carey Library	187	15	91	111
Irving Library	187	-	174	13
Shell Rock Library	219	48	161	106
JH Art	1,552	368	-	1,920
West Cedar Library	106	66	122	50
Southeast School	4,887	5,248	4,594	5,541
Business Office - Miscellaneous	107	69,743	69,724	126
TAG Award	205	-	37	168
JH Plus Program	100	-	100	-
B&K Homeroom	-	304	-	304
Irving Transportation Donation	2,269	-	537	1,732
Irving Playground Account	252	-	-	252
Mr. Winter's Account	668	561	180	1,049
HS Character Counts	89	-	-	89
HS Vocal Music Fund Raising	7,731	16,484	24,215	-
Human Rights Group	-	32	-	32
HS Vocal Music	12,174	125	-	12,299
HS Vocal Music Account	3,103	10,858	4,365	9,596
HS Vocal Music Trips	-	10,856	10,856	-
HS Musical	1,525	8,683	6,063	4,145
Florida Band Trip	-	-	-	-
HS Vocal Music Uniform Account	2,678	2,240	1,032	3,886
D Wiltse Transportation Donation	8	-	-	8
High School Jazz	1,848	3,929	2,982	2,795
String Rental	74	236	548	(238)
Transportation - West Cedar	135	1,204	369	970
Elem Art Contest	88	-	55	33
Elem Art	117	-	-	117
Mrs. Ribich Class Project	39	-	-	39
Elem & JH String Rentals	272	110	457	(75)
Elem & JH String Stores	-	1,533	1,356	177

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
JH At Risk	(137)	137	98	(98)
JH Math	636	-	-	636
PLUS Program Math Competition	(13)	845	927	(95)
SH Transportation Monies	474	-	-	474
HS Donation (Bock)	2,912	-	1,095	1,817
Walton Donation (Bock)	-	285	-	285
Mrs Whitney/Mrs Podhajsky	215	-	-	215
7th Grade Team	1,061	745	136	1,670
8th Grade Team	425	500	389	536
Flex Team (Green)	444	4,797	3,916	1,325
Encore Team	318	500	238	580
JH SLI	-	961	-	961
JH Teachers Association	51	-	19	32
HS Advance Placement	481	4,100	3,906	675
JH Juice	1,258	-	1,000	258
Research (Vyverberg)	-	-	-	-
Total	<u>238,815</u>	<u>955,413</u>	<u>959,691</u>	<u>234,537</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	Carey Parents	Southeast Parents	W. Cedar Parents	Dierks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE	DECA Student Account	HS Special Education
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash and pooled investments	9,383	-	5,249	50,243	16,898	431	130	607	2,953
	<u>9,383</u>	<u>-</u>	<u>5,249</u>	<u>50,243</u>	<u>16,898</u>	<u>431</u>	<u>130</u>	<u>607</u>	<u>2,953</u>
Net Assets									
Reserved for scholarships	-	-	-	50,243	16,898	-	-	-	-
Unreserved	9,383	-	5,249	-	-	431	130	607	2,953
	<u>9,383</u>	<u>-</u>	<u>5,249</u>	<u>50,243</u>	<u>16,898</u>	<u>431</u>	<u>130</u>	<u>607</u>	<u>2,953</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	Irving T. Hirst	Jr High T Bardal	West Cedar Rozen	Carey Gomes	Shell Rock Huberg	Shell Rock Greenlee	West Cedar Obermeier	Jr High Harrell	High School Podhajsky
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash and pooled investments	<u>81</u>	<u>114</u>	<u>281</u>	<u>78</u>	<u>88</u>	<u>330</u>	<u>116</u>	<u>227</u>	<u>1,236</u>
	<u>81</u>	<u>114</u>	<u>281</u>	<u>78</u>	<u>88</u>	<u>330</u>	<u>116</u>	<u>227</u>	<u>1,236</u>
Net Assets									
Reserved for scholarships	-	-	-	-	-	-	-	-	-
Unreserved	<u>81</u>	<u>114</u>	<u>281</u>	<u>78</u>	<u>88</u>	<u>330</u>	<u>116</u>	<u>227</u>	<u>1,236</u>
	<u>81</u>	<u>114</u>	<u>281</u>	<u>78</u>	<u>88</u>	<u>330</u>	<u>116</u>	<u>227</u>	<u>1,236</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	HS Inclusion	HS Art Scholarship	Pepsi Donation	Globe Project	Soesbe McElroy Funds	Greelee WalMart	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Cash and pooled investments	-	403	-	-	878	854	81	90,661
	-	403	-	-	878	854	81	90,661
Net Assets								
Reserved for scholarships	-	403	-	-	-	-	-	67,544
Unreserved	-	-	-	-	878	854	81	23,117
	-	403	-	-	878	854	81	90,661

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	Carey Parents	Southeast Parents	W. Cedar Parents	Diercks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Interest on investments	-	-	-	851	-	-	-
Contributions	13,034	570	8,192	-	9,095	-	-
	<u>13,034</u>	<u>570</u>	<u>8,192</u>	<u>851</u>	<u>9,095</u>	<u>-</u>	<u>-</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	10,422	638	8,442	-	-	-	-
Other	-	-	-	700	-	-	-
	<u>10,422</u>	<u>638</u>	<u>8,442</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,612	(68)	(250)	151	9,095	-	-
Balance beginning of year	<u>6,771</u>	<u>68</u>	<u>5,499</u>	<u>50,092</u>	<u>7,803</u>	<u>431</u>	<u>130</u>
Balance end of year	<u><u>9,383</u></u>	<u><u>-</u></u>	<u><u>5,249</u></u>	<u><u>50,243</u></u>	<u><u>16,898</u></u>	<u><u>431</u></u>	<u><u>130</u></u>

Waverly-Shell Rock Community School District

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	HS Special Education	Irving Hirst	Jr High T Bardal	West Cedar Rozen	Carey Gomes	Shell Rock Huberg	Shell Rock Greenlee
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Interest on investments	-	-	-	-	-	-	-
Contributions	38	81	81	81	81	80	81
	<u>38</u>	<u>81</u>	<u>81</u>	<u>81</u>	<u>81</u>	<u>80</u>	<u>81</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	566	95	200	-	-	-	-
Other	-	-	-	-	-	-	-
	<u>566</u>	<u>95</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(528)	(14)	(119)	81	81	80	81
Balance beginning of year	<u>3,481</u>	<u>95</u>	<u>233</u>	<u>200</u>	<u>(3)</u>	<u>8</u>	<u>249</u>
Balance end of year	<u><u>2,953</u></u>	<u><u>81</u></u>	<u><u>114</u></u>	<u><u>281</u></u>	<u><u>78</u></u>	<u><u>88</u></u>	<u><u>330</u></u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	Jr High Jamison	Jr High Harrell	High School Podhajsky	HS Inclusion	HS Art Kiln	Globe Project	Soesbe McElroy Funds
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Interest on investments	-	-	-	-	-	-	-
Contributions	81	-	1,213	-	-	-	250
	<u>81</u>	<u>-</u>	<u>1,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	-	-	1,087	176	1,143	48	192
Other	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,087</u>	<u>176</u>	<u>1,143</u>	<u>48</u>	<u>192</u>
Excess (deficiency) of revenues over (under) expenditures	81	-	126	(176)	(1,143)	(48)	58
Balance beginning of year	<u>-</u>	<u>227</u>	<u>1,110</u>	<u>176</u>	<u>1,546</u>	<u>48</u>	<u>820</u>
Balance end of year	<u>81</u>	<u>227</u>	<u>1,236</u>	<u>-</u>	<u>403</u>	<u>-</u>	<u>878</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	DECA Student Account	West Cedar Obermeier	Greelee WalMart	Athletic Pepsi Donation	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Interest on investments	-	-	-	-	851
Contributions	1,483	81	-	-	34,522
	<u>1,483</u>	<u>81</u>	<u>-</u>	<u>-</u>	<u>35,373</u>
Expenditures:					
Instruction:					
Regular instruction:					
Supplies	1,106	-	-	26,000	50,115
Other	-	-	-	-	700
	<u>1,106</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>50,815</u>
Excess (deficiency) of revenues over (under) expenditures	377	81	-	(26,000)	(15,442)
Balance beginning of year	<u>230</u>	<u>35</u>	<u>854</u>	<u>26,000</u>	<u>106,103</u>
Balance end of year	<u><u>607</u></u>	<u><u>116</u></u>	<u><u>854</u></u>	<u><u>-</u></u>	<u><u>90,661</u></u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2006

<u>Account</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
HS Benevolent	131	315	402	44
IAMLE	575	2,541	1,966	1,150
Irving Social Fund	160	230	207	183
Basketball Booster Club	286	-	286	-
Maintenance Courtesy	26	-	15	11
Transportation Courtesy	(28)	30	-	2
Irving Parent Account	2,537	15,121	16,022	1,636
Junior High Parent Account	-	1,244	283	961
Secretary Courtesy	66	91	127	30
Concessions - Athletic Boosters	12,545	83,360	75,480	20,425
Membership - Athletic Boosters	550	35,365	20,276	15,639
Athletic Boosters - Facility/Equipment	27,533	22,646	22,500	27,679
Athletic Boosters - Addl Events	500	21,541	7,427	14,614
Athletic Booster Resale	2,228	12,095	11,129	3,194
Athletic Boosters Budgeted	613	7,689	7,755	547
Athletic Boosters Wishlist	830	23,497	24,214	113
Athletic Boosters Operational	652	1,460	2,012	100
Afghan Reading Project	3	-	-	3
CPR/AED Fund	-	10,600	-	10,600
W-SR Girls Basketball Camp	1,671	595	2,266	-
	<u>50,878</u>	<u>238,420</u>	<u>192,367</u>	<u>96,931</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2006	2005	2004	2003
	\$	\$	\$	\$
Local sources:				
Local tax:				
Property tax	4,859,464	4,804,049	5,117,785	5,112,136
Mobile home tax	4,025	4,371	4,914	15,650
Income surtax	563,218	-	-	-
Local option sales tax	949,810	687,408	852	828
	<u>6,376,517</u>	<u>5,495,828</u>	<u>5,123,551</u>	<u>5,128,614</u>
State sources:				
State foundation aid	6,447,327	6,429,625	6,048,223	6,059,274
Instructional support state aid	65,246	70,903	-	-
AEA flow through	546,568	544,101	541,453	575,243
Shelter care/juvenile home aid	189,793	31,458	127,096	118,276
Educational excellence program:				
Phase I	10,549	10,302	10,307	10,573
Phase II	148,554	152,836	153,244	155,754
Phase III	-	-	-	41,438
Non-public transportation aid	20,080	8,196	21,640	14,781
Non-public textbook aid	2,540	2,216	2,042	1,968
Revenue in lieu of taxes - military credit	4,592	3,730	4,916	5,025
Lunch and breakfast program claims	9,290	8,892	9,251	9,127
Vocational aid	15,972	15,885	16,084	18,646
At risk programs	16,674	16,728	16,400	34,357
Iowa Early Intervention Block Grant	83,455	88,894	88,929	95,479
Teacher quality and improvement program	169,799	154,793	133,941	117,815
Teacher quality - professional development	32,350	-	-	-
Teacher quality - addl professional development	23,789	-	-	-
Evaluator training	-	-	-	4,000
Teacher mentoring program	3,250	-	6,500	6,500
Other state aid	-	-	3,651	-
	<u>7,789,828</u>	<u>7,538,559</u>	<u>7,183,677</u>	<u>7,268,256</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2006	2005	2004	2003
	\$	\$	\$	\$
Federal sources:				
ComServ Iowa	-	-	500	5,000
Improving Teacher Quality	50,880	51,356	52,140	57,393
Safe and Drug Free Schools	7,020	8,093	7,476	3,566
Title I Grants to Local Educational Agencies	222,692	232,958	209,497	143,545
Vocational Education - Basic Grant	14,361	16,607	15,261	36,261
Special Education - Grants to States	94,952	-	71,369	1,975
Innovative Education Program Strategies	4,914	7,724	10,522	10,461
Grants for Assessments and Related Activities	11,664	12,066	22,011	-
Medicaid claims	28,229	-	-	-
Hurricane relief funds	15,000	-	-	-
Iowa Construction Demonstration Grant	-	-	75,902	-
National School Lunch, Breakfast and Special Milk Programs	198,546	167,362	163,950	145,108
Food Distribution	64,223	57,608	47,628	54,750
	<u>712,481</u>	<u>553,774</u>	<u>676,256</u>	<u>458,059</u>
	<u>14,878,826</u>	<u>13,588,161</u>	<u>12,983,484</u>	<u>12,854,929</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY06	<u>64,223</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY06	12,719
National School Lunch Program	10.555	FY06	<u>185,827</u>
			<u>198,546</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6840-G-06	102,859
Title I Grants to Local Educational Agencies	84.010	6840-GC-06	<u>18,803</u>
			<u>121,662</u>
Title I Neglected and Delinquent Children	84.012	6840-D-06	101,030
Innovative Educational Program Strategies (Title V)	84.298	FY06	4,914
Grants for Assessments and Related Activities	84.369	FY06	11,664
Improving Teacher Quality - Grants to States	84.348	FY06	50,880
Hurricane Relief Funds		FY06	15,000
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY06	7,020
Special Education - Grants to States (IDEA Part B)	84.027	FY06	94,952
Vocational Education - Basic Grants to States	84.048	FY06	<u>14,361</u>
Total			<u><u>684,252</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Waverly-Shell Rock Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Waverly-Shell Rock Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waverly-Shell Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Waverly-Shell Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

October 3, 2006

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of the
Waverly-Shell Rock Community School District:

Compliance

We have audited the compliance of Waverly-Shell Rock Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Waverly-Shell Rock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Waverly-Shell Rock Community School District's management. Our responsibility is to express an opinion on Waverly-Shell Rock Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waverly-Shell Rock Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Waverly-Shell Rock Community School District's compliance with those requirements.

In our opinion Waverly-Shell Rock Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Waverly-Shell Rock Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item 06-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item 06-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

BRUCE D. FRINK
Certified Public Accountant

October 3, 2006

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education Agencies
 - CFDA Number 84.012 - Title I Neglected and Delinquent ChildrenSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.010 Title I Grants to Local Education Agencies

Agency Numbers: 6840-G-06, 6840-GC-06

Federal Award Year: 2006

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 84.012 Title I Neglected and Delinquent

Agency Numbers: 6840-D-06

Federal Award Year: 2006

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2006

US Department of Agriculture

Passed through Iowa Department of Education

06-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- 06-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.
- 06-IV-B Certified Budget - Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted in any of the four functions.
- 06-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 06-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 06-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 06-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 06-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 06-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.